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SUBJECT: SIX-PARTY TALKS: VIEWS FROM MOSCOW

Classified By: Ambassador William J. Burns. Reasons 1.4 (B/D).

11. (C) Summary. The Russian Government welcomed the October 3 Six-Party Agreement, terming it the best outcome possible at this stage, although DFM Kislyak cautioned about further "bumps in the road" given the nature of the DPRK regime. Moscow experts largely echoed the official view and encouraged continued U.S. engagement, while warning against "haste" in dealing with the North. While few Russian companies show interest in investment in North Korea, and the GOR is wary of any financial obligations, Rostekhnadzor Chief General Pulikovskiy is aggressively flogging a business plan through his private sector partner, which they maintain would convince Kim Jong Il to give up his nuclear card. End summary.

October 3 Agreement  
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12. (C) DFM Kislyak told the Ambassador that he was cautious about the October 3 Agreement, warning that there will be "bumps in the road somewhere," given the nature of the North Korean regime. Nevertheless, Kislyak welcomed the step forward. Separately, MFA Korea Desk Senior Counselor, and participant of the Six Party Plenary, Oleg Davydov assessed the latest Plenary as a success and the October 3 Agreement as the maximum that could have been achieved. He noted that the Six-Party process is dominated by U.S.- North Korea bilateral engagement, with which the GOR tries not to "interfere." What comes after disablement is of paramount importance for the complete denuclearization of the Korean peninsula, Davydov stressed.

How We Got There: MFA's View  
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13. (U) In Vremya Novostey on the eve of the latest Six-Party Plenary session, Russian Chief Negotiator DFM Losyukov reiterated that the Six-Party Talks gained a fresh impetus when the U.S. made a "serious tactical concession" and began talking with North Korea. While the countries participating in the Six-Party process were equal, progress depended on the U.S. and North Korea. The article stated that the U.S. need for a concrete accomplishment in the nuclear area and the North's desire for normalization complemented each other. Losyukov cautioned that the North would play carefully, attempting to maximize "economic and political dividends" before giving up its nuclear potential.

14. (U) While the disablement of nuclear facilities was practically done, the ultimate fate of the facilities remains the North's "red line," stressed Losyukov. The North could rejoin the NPT regime and allow regular inspection by an IAEA team in order to revive discussion on a KEDO (Korean Peninsula Energy Development Organization)-like projects, which in 1994 was ready to build two light water reactors to provide North Korea with alternative energy sources. He commented that at this point, it is difficult to imagine either the U.S. or Russian government would be willing to

foot the bill for the reactors. Losyukov warned that the North's nuclear card includes the removal of U.S. troops from South Korea, which is an important component of the U.S.'s Asian Pacific security architecture.

15. (U) Losyukov praised the five Working Groups' (WG) contribution to the process, affirming that the WGs provided fora for topics which the Plenary failed to address. He called the Russia-chaired 5th WG a prototype for regional issues and thought that it could be transformed into a permanent working mechanism, if North Korea's resistance could be overcome. Losyukov criticized the U.S.'s "haste" in its premature discussions for creating an organization and advised a measured approach that "includes all serious players of the region."

16. (U) Losyukov welcomed the South-North Korea Summit October 2-4 and stressed that Unification was not a threat to Russia but an opportunity to engage with another strong neighbor while the U.S. would have to readjust its overwhelmingly pro-South policy.

#### Non-Official Views

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17. (C) Moscow North East Asia experts echoed the GOR view that engagement was good but warned against haste in dealing with the DPRK, given the unpredictability of the regime. Vasiliy Mikheyev of the Institute for World Economy and International Relations (IMEMO) thought it was a mistake to link Six-Party incentives to the North's nuclear programs, rather than to its reform measures. The nuclear issue is critical but the real problem is a "bad" regime. Once the regime changes, the nuclear problem will disappear, as we

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have seen in South Africa, added Mikheyev.

18. (C) Several experts criticized the GOR's "passivity" in the Six-Party process. Fedor Lukyanov, Editor-in-Chief, Russia in Global Affairs, thought that GOR officials consider that North Korea falls short of the "prestigious" foreign policy objectives where Russia asserts itself as in the "status defining" cases of Kosovo and the missile defense. Moscow Institute of International Relations (MGIMO)'s Aleksey Bogaturov agreed. Despite geographical proximity, North Korea never entered Russia's consciousness as a threat and Russia could afford to "hide" behind China. With the Six-Party Talks moving ahead, the GOR has begun engaging more, all agreed.

19. (C) Russian experts are equally critical of U.S. motivations, calling the new U.S. direction, "Clintonization." Mikheyev told us that the Six-Party progress only reflected the vicissitudes of U.S. policy. The North, a staunch believer in bilateral rather than multilateral contacts, pursued the separation of U.S.- North Korea talks from the Six-Party process and succeeded.

#### Seeking Economic Opportunities Outside the Process

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10. (C) While very few Russian companies are willing to invest in North Korea, a notable exception is the Russian firm, "Trest," which is seeking a direct deal with the Kim regime with a business plan that includes 10 coal-fired power stations, banks, an oil refinery and metal processing plants. Claiming a special connection with the North's leader, through his partner, Rostekhnadzor head Konstantin Pulikovskiy (who accompanied Kim Jong Il on his train trip through Russia in 2001), the company's owner Artyom Atalyants dismissed the Six-Party Talks as an "ineffective, ill-conceived political game." Atalyants argues that economic assistance, in the form of building power stations, will jump-start economic recovery, without which, the North will not give up its nuclear card. Atalyants thought that

his oil refinery, already in existence in Najin, could propel a chain reaction of economic development. On October 5, Atalyants requested USG assistance in securing oil supply from Sakhalin -- from Exxon Mobil's share -- for his oil refinery -- and a USD 5 billion loan guarantee. Besides Pulikovskiy, Atalyants's project doesn't appear to have traction elsewhere in the GOR bureaucracy. The MFA Korea Desk dismissed it as "unrealistic."

Burns